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ABSTRACT

Aid to Families with Dependent Children for Unemployed Parents (AFDC-UP) is a state option under which cash aid is provided to two-parent families whose principal earner is unemployed or employed less than 100 hours a month. As of January 1988, 27 states, the District of Columbia, and Guam had AFDC-UP. This report reviews the following: (1) available cost estimates of requiring states to adopt AFDC-UP; and (2) research on AFDC-UP's effect on families. The Congressional Budget Office (CBO) and Department of Health and Human Services (HHS) 1993 Federal and state cost estimates for requiring AFDC-UP under H.R. 1720--$945 million and $961 million, respectively--and S. 1511--$915 million and $1.090 billion--are similar. CBO's and HHS's estimates for H.R. 1720 differ mostly on food stamp costs; on S. 1511 they differ mostly on Medicaid costs. Mathematica Policy Research's estimates for H.R. 1831 and an identical bill, S. 862, are also reviewed. Very little information was found about AFDC-UP's family stability effects; the information found is of little relevance to the current proposals. Data are presented on three tables. One of the two appendixes lists the data bases reviewed in the literature search for this report; the other describes selected provisions of the welfare reform proposals discussed. (BJV)

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United States General Accounting Office

GAO

Briefing Report to the Ranking Minority Member, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, House of Representatives

ED298191

May 1988

WELFARE REFORM

Projected Effects of Requiring AFDC for Unemployed Parents Nationwide

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-231220

May 23, 1988

The Honorable Hank Brown
Ranking Minority Member
Subcommittee on Public Assistance
and Unemployment Compensation
Committee on Ways and Means
House of Representatives

Dear Mr. Brown:

This report responds to your October 30, 1987, request that we review (1) available cost estimates of requiring states to adopt the optional Aid to Families with Dependent Children for Unemployed Parents program (AFDC-UP) and (2) research on AFDC-UP's effects on families. This report summarizes information we provided to your staff in a March 29, 1988, briefing.

Background

AFDC provides cash aid to needy families whose children lack support due to continued parental absence, incapacitation, or death. AFDC-UP is a state option under which cash aid is provided to two-parent families whose principal earner is unemployed or employed less than 100 hours a month. As of January 1988, 27 states, the District of Columbia, and Guam had AFDC-UP.

Several legislative proposals would require AFDC-UP nationwide. The Congressional Budget Office (CBO) and Department of Health and Human Services (HHS) estimated costs for requiring AFDC-UP under H.R. 1720 and S. 1511. Mathematica Policy Research estimated costs for H.R. 1831 and an identical bill, S. 862. We reviewed these estimates—as of May 16, 1988—the only ones we found for requiring AFDC-UP nationwide. Also, we reviewed five states' cost and caseload estimates made when they considered adopting AFDC-UP.

We reviewed family stability research results from four federally funded income maintenance experiments conducted between 1968 and 1978. We focused on the Seattle-Denver experiment, which reported high family dissolution among participants and has been cited in the welfare reform debate. We also reviewed information on AFDC-UP's effects in states that started or ended the program since 1980 and other data.

Cost Estimates

We had little basis to judge the reasonableness of the numerous, often differing assumptions used for the estimates, and thus could not determine their reliability. Nevertheless, CBO's and HHS's 1993 federal and state cost estimates for H.R. 1720 (as passed by the House)—$945 million and $961 million, respectively—and for S. 1511—$915 million and $1.090 billion, respectively—are similar. Mathematica's estimate is not comparable because it covers different proposals, another time period, and fewer programs.

Table 1 shows that CBO's and HHS's estimates for H.R. 1720 differ mostly on Food Stamp costs. CBO expects such costs to fall, assuming that most AFDC-UP entrants already would be receiving Food Stamps. Since AFDC-UP benefits would count as income in determining Food Stamp eligibility and benefits, Food Stamp costs would fall. HHS expects a small Food Stamp cost change, assuming that benefits for those already on Food Stamps would be nearly offset by the benefits for AFDC-UP entrants who also begin receiving Food Stamps.

Table 1: Estimated 1993 AFDC-UP Costs and Caseloads Under H.R. 1720[a]

Dollars in millions

	CBO			HHS		
Program Benefits	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**
AFDC-UP[b]	$305	$200	$505	$289	$167	$456
Medicaid	340	210	550	320	185	505
Food Stamp[c]	−110	•	−110	•	•	•
Total	**$535**	**$410**	**$945**	**$609**	**$352**	**$961**
AFDC caseload[d]			105,000			133,000

[a]1993 is the third year of the 3-year estimates.

[b]CBO estimates $69 million in administrative costs. HHS estimates such costs, but believes them to be small and does not break out.

[c]Food Stamp benefits are all federal costs. HHS's analyst estimated a small Food Stamp cost change, but could not specify the amount. No estimates were made of the federal/state shares of administrative costs.

[d]CBO includes two-parent families only. HHS includes single-parent families estimated to join AFDC should AFDC-UP go nationwide.

Table 1 also shows differing caseload estimates. HHS's AFDC-UP estimate adds about 20,000 single-parent families expected to enroll in regular AFDC should AFDC-UP be extended nationwide. HHS's analyst told us that expanding welfare programs often increases caseloads in related programs. CBO's analyst did not believe AFDC caseloads would increase, and includes only two-parent families. Despite higher caseload estimates, HHS's AFDC-UP and Medicaid cost estimates are lower than CBO's due to

offsetting differences in other assumptions, such as benefits and inflation rates.

Along with the above differences, CBO's and HHS's total estimates for S. 1511 mainly differ in how their Medicaid estimates are presented. S. 1511 provides for (1) requiring AFDC-UP nationwide (AFDC-UP participants automatically are eligible for Medicaid), and (2) extending Medicaid for up to 9 months to those who lose AFDC-UP or AFDC eligibility due to higher earnings. While HHS's AFDC-UP estimate includes all the extra Medicaid costs, CBO only includes Medicaid costs tied to requiring AFDC-UP nationwide. CBO estimated the costs of the bill's provision for extending Medicaid but did not break out the costs of extending Medicaid to new AFDC-UP participants who later drop out due to higher earnings.

For H.R. 1831 and S. 862, Mathematica Policy Research estimated that AFDC-UP costs would increase by $187 million, and caseloads by 52,000. Differences between Mathematica's and CBO's and HHS's estimates stem from (1) differing provisions of H.R. 1720, S. 1511, and H.R. 1831/S. 862; (2) estimating periods—Mathematica's estimate was for 1987, CBO's and HHS's were for 1991, 1992, and 1993; and (3) programs affected—unlike CBO and HHS, Mathematica did not estimate related Medicaid and Food Stamp costs.

Maine, Montana, Oregon, South Carolina, and Virginia officials estimated costs for their states when considering adopting the existing AFDC-UP program. While not useful for predicting nationwide AFDC-UP costs as envisioned by the current legislative proposals, we present them in this report for your information.

Research on AFDC-UP's Family Stability Effects

We identified very little information about AFDC-UP's family stability effects, and believe the information found is of little relevance to the current proposals.

The Seattle-Denver income maintenance experiment, which studied the effects of guaranteed income on black, white, and Hispanic recipients, reportedly showed that family break ups were 40 to 60 percent higher for black and white families receiving guaranteed income than for control group families who did not. Subsequent analyses of the data casts doubt on the relevance of these findings for predicting the family dissolution effects of such cash assistance as AFDC-UP.

We also question using these results for predicting AFDC-UP's family stability effects because the experiment differed markedly from the proposed AFDC-UP program and related services. The current proposals place greater emphasis than the experiment did on child support, training, and employment services. Further, some experimental families were childless couples (about 10 percent) not eligible for AFDC-UP. (See pp. 16-20.) While we found no state studies on the family effects of initiating AFDC-UP, six states that terminated AFDC-UP for some period between 1980 and 1988 tracked former participants' marital status. The data showed that 12 to 28 percent of AFDC-UP families became single-parent AFDC families, but not whether the dissolutions were caused by AFDC-UP's discontinuance.

As agreed, to expedite reporting, we did not address your questions about AFDC-UP participants' characteristics or administrative activities needed to implement AFDC-UP. Also, as you requested, we did not obtain agency comments on a draft of this report, although we discussed its contents with CBO and HHS officials and included their comments as appropriate. Unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, we will provide copies to all members of the House Ways and Means Committee and the Senate Finance Committee and other interested congressional committees and members, and make copies available to others on request.

Should you need additional information on the report's contents, please call me on 275-6193.

Sincerely yours,

Franklin Frazier

Franklin Frazier
Associate Director

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Abbreviations

AFDC	Aid to Families with Dependent Children
AFDC-UP	AFDC for Unemployed Parents
CBO	Congressional Budget Office
GAO	General Accounting Office
HHS	Department of Health and Human Services

Welfare Reform: Projected Effects of Requiring AFDC for Unemployed Parents Nationwide

Background

The Aid to Families with Dependent Children (AFDC) program provides cash aid to needy families with children deprived of support because one parent is continuously absent, incapacitated, or dead. Program costs are shared by the federal government and states. In 1961, as an antirecession measure, the Congress made AFDC available, at state option, to families with unemployed parents (AFDC-UP) so jobless fathers would not disqualify their families for welfare. Effective January 1, 1968, the Congress made the AFDC-UP option permanent.

Proposed welfare reform legislation—H.R. 1720, passed by the House of Representatives in December 1987; S. 1511, approved by the Senate Finance Committee in April 1988; and H.R. 1831 (and identical S. 862), introduced in the Congress in March 1987—would require AFDC-UP for all states. These bills contain different provisions that would change AFDC-UP as it currently exists and would affect the program's costs and caseloads in different ways. Requiring AFDC-UP for all states is a significant issue in the welfare reform debate, especially as related to potential program cost increases and effects on families. Congressional proponents of requiring AFDC-UP in all states maintain that the program keeps together families that otherwise would separate to qualify for AFDC based on one parent's absence. Opponents maintain (1) that there is little evidence that the program provides social benefits justifying the potential increased costs or (2) that extending AFDC-UP may possibly increase marital separations by undermining the role of the parents in providing support for their children.

Under AFDC-UP, states provide benefits to two-parent families when the principal wage earner is unemployed or employed part time (less than 100 hours a month). In states not opting to provide AFDC-UP, federally funded cash assistance is not available for families with two able-bodied adults. Since 1961, 32 states, the District of Columbia, and Guam have at one time or another operated an AFDC-UP program. As of January 1988, 27 states, the District of Columbia, and Guam were participating. States participating in AFDC-UP during fiscal year 1987 had about 2.7 million families, or 71 percent of the total AFDC caseload (including AFDC-UP), and accounted for about $13.6 billion, or 84 percent of the nation's $16.3 billion total AFDC benefit costs. For that year, AFDC-UP costs were $1.5 billion, for about 236,000 cases. Since 1961, five states have terminated and not reinstated AFDC-UP.

Objectives, Scope, and Methodology

On October 30, 1987, the Ranking Minority Member of the Subcommittee on Public Assistance and Unemployment Compensation, House Committee on Ways and Means, requested that we review (1) the available cost estimates of requiring states to adopt the optional AFDC-UP program and (2) research on AFDC-UP's effects on family stability. He also requested information on the characteristics of AFDC-UP participants and administrative activities required to implement AFDC-UP. As requested by the Ranking Minority Member's office, in order to facilitate early reporting, this report addresses only the first two issues.

We analyzed AFDC-UP cost estimates of the Congressional Budget Office (CBO) and the Department of Health and Human Services (HHS) for H.R. 1720 as passed by the House and S. 1511 as introduced in the Senate Finance Committee, and the estimates of Mathematica Policy Research (a private consulting firm), for H.R. 1831 and S. 862.[1] These were the only nationwide estimates we found for legislative proposals requiring AFDC-UP. We focused our analysis on CBO's and HHS's estimates (as of May 16, 1988) for H.R. 1720 and S. 1511 because at the time of our review, those bills were further along in the legislative process. In addition, Mathematica's estimates for H.R. 1831 and S. 862 did not include AFDC-UP's cost effects on Medicaid or Food Stamps. We further concentrated on CBO's and HHS's estimates for 1993 because we believe they would more accurately reflect the bills' full implementation period. CBO's and HHS's estimates are subject to change should the bills' provisions change as they proceed through the legislative process. We discussed data sources, methodologies, and the estimates with the CBO, HHS, and Mathematica analysts who developed them.

We also reviewed cost and caseload estimates made between 1980 and 1987 by Maine, Montana, Oregon, South Carolina, and Virginia, when they considered adopting AFDC-UP.[2] For the four states that later adopted AFDC-UP (all except Virginia), we compared the states' caseload estimates against their actual caseloads 1 year after program implementation. For Maine, Montana, and South Carolina, we compared their annual cost estimates against actual costs for the 6 months before and the 6 months after the program's 1-year anniversary. We compared Oregon's estimates with the actual cost for the calendar year following the year of implementation because the program was discontinued between July

[1]Mathematica Policy Research prepared these estimates for the National Conference on Social Welfare.

[2]Near the completion of our work, we learned that North Carolina adopted AFDC-UP effective January 1988. Due to our reporting time frames, we did not review the state's cost and caseload estimates.

and October 1986. We discussed the estimates with the principal analysts or other appropriate officials in the five states.

Regarding AFDC-UP's possible effects on family stability, we reviewed literature identified in a search of nine data bases, such as the Social Science Citation Index. (The data bases are listed in app. I.) We also reviewed literature on the results of four federally funded income maintenance experiments conducted between 1968 and 1978 that were primarily aimed at testing the effects of guaranteed income on recipients' work efforts. We focused on the Seattle-Denver experiment because, unlike the others, its reported results indicated significant family dissolution among participants. Also, the Seattle-Denver experiment has been cited in the welfare reform debate as indicating that AFDC-UP may cause marital dissolution.

We reviewed available information from Iowa, Missouri, Montana, Oregon, Colorado, Washington, and Utah—states that had terminated AFDC-UP since 1980—to obtain insights on the possible family stability effects of program discontinuance. The information included the results of Utah's and Washington's interviews with former AFDC-UP participants, which were conducted to gather perspectives on whether program discontinuance affected their marital stability. We also contacted officials in Iowa, Missouri, Montana, Oregon, and Washington, which have reestablished AFDC-UP, and Maine and South Carolina, which, since 1980, have instituted AFDC-UP, to determine whether they had information on the possible family stability effects of initiating AFDC-UP.

We also reviewed a 1988 report that provided information on AFDC-UP families in Alameda County, California, and on differences in AFDC caseloads in states with and without AFDC-UP.

We discussed the information with researchers and state officials who either prepared or were familiar with the research. We did not analyze in detail the research methodologies and supporting data.

Cost and Caseload Estimates

We had little basis to judge the reasonableness of the numerous and often different assumptions used for the various estimates, and thus could not determine their reliability. Despite the differing assumptions, however, CBO's and HHS's 1993 federal and state cost estimates for H.R. 1720—$945 million and $961 million, respectively—and for S. 1511—$915 million and $1.090 billion, respectively—are similar. Mathematica's estimate is not comparable with CBO's and HHS's because it pertains

to a different proposal, applies to a different time period, and covers a narrower set of programs.

Estimates for H.R. 1720

Table 1.1 shows CBO and HHS estimates for AFDC-UP under H.R. 1720, as passed by the House of Representatives. HHS's total estimate for H.R. 1720 is larger than CBO's, primarily because CBO's shows a $110 million decrease in Food Stamp costs, because it assumes that most new AFDC-UP recipients are already receiving Food Stamps. Because AFDC benefits would be counted as income in determining Food Stamp eligibility and benefit amounts, Food Stamp costs would fall. HHS estimates a small change in Food Stamp costs because it assumes that reduced benefits for those already receiving Food Stamps would be approximately offset by increased benefits for those new AFDC-UP families who also would begin receiving Food Stamps.

Table 1.1: Estimated 1993 AFDC-UP Costs and Caseloads Under H.R. 1720[a]

Dollars in millions

	CBO			HHS		
Program Benefits	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**
AFDC-UP[b]	$305	$200	$505	$289	$167	$456
Medicaid	340	210	550	320	185	505
Food Stamp[c]	−110	•	−110	•	•	•
Total	**$535**	**$410**	**$945**	**$609**	**$352**	**$961**
AFDC caseload[d]			105,000			133,000

[a]1993 is the last year of the 3-year estimates.

[b]CBO's estimate includes $69 million in administrative costs. HHS's estimate includes administrative costs, but does not separately identify such costs because they are believed to be inconsequential.

[c]Food Stamp benefit costs are totally federally funded. HHS's analyst told us that there would be a small change in Food Stamp costs, but could not determine the amount. No estimates were made of administrative costs, which are shared by the federal and state governments.

[d]CBO's estimate includes only two-parent AFDC-UP families. HHS's estimate includes about 20,000 single-parent families whom HHS's analyst believes will enroll in regular AFDC as a result of requiring AFDC-UP in all states.

CBO's and HHS's caseload estimates also differ, primarily due to different assumptions about AFDC-UP participation. HHS assumed that a higher number of families would be potentially eligible for AFDC-UP in 1991. For example, HHS estimated that about 7,000 families will become eligible for AFDC-UP by reducing their work hours, and that about 20,000 additional single-parent families would enroll in regular AFDC as a result of requiring AFDC-UP for all states. HHS's analyst told us that expanding welfare programs often leads to caseload increases in related programs. CBO's

analyst did not believe expanding AFDC-UP would lead to increased AFDC caseloads, and CBO's estimate includes only two-parent families.

Comparatively, the increased AFDC-UP and Medicaid costs associated with HHS's higher caseload estimate are more than offset by other assumptions CBO made that differ from HHS's. For example, CBO used a higher rate than HHS to project AFDC-UP and Medicaid costs to 1993. Also regarding AFDC-UP, CBO estimates higher program cost increases than HHS resulting from H.R. 1720's increased benefit provisions.

In preparing their Medicaid cost estimates, CBO and HHS used different assumptions about such factors as average Medicaid benefit levels, the average duration of Medicaid benefits, and family size. Medicaid costs would be affected because AFDC-UP participants are automatically eligible for Medicaid. HHS uses higher average benefits and family size, which cause its average per-case cost to be higher than CBO's. On the other hand, CBO assumes AFDC-UP families will receive benefits for the entire year, while HHS assumes benefits will be provided, on the average, for 9 months.

Additionally, CBO's estimates show state AFDC-UP and Medicaid costs that are relatively higher than HHS's, and federal costs that are relatively lower. CBO and HHS assume slightly different federal sharing rates—CBO uses a 62-percent matching rate for the federal government and HHS uses a 63.4-percent rate.

Estimates for S. 1511

Table 1.2 shows CBO's and HHS's 1993 federal and state cost estimates for S. 1511. While CBO's and HHS's caseload estimates are the same for S. 1511 as for H.R. 1720, their cost estimates for S. 1511 differ. Much of the difference stems from the way CBO and HHS present their Medicaid estimates. S. 1511 provides both for requiring AFDC-UP nationwide (AFDC-UP participants are eligible for Medicaid) and for extending Medicaid entitlements for up to 9 months to families who lose AFDC-UP and AFDC eligibility due to higher earnings. HHS included all the extra Medicaid costs associated with AFDC-UP in its AFDC-UP estimates. CBO included Medicaid costs for AFDC-UP participants, but did not include costs associated with extended Medicaid entitlements, in its AFDC-UP cost estimate. CBO estimated the costs of the bill's provision extending Medicaid benefits to former AFDC and AFDC-UP participants combined, but did not separately identify the costs associated with extending Medicaid entitlements to new AFDC-UP participants who lose eligibility due to higher earnings.

Table 1.2: Estimated 1993 AFDC-UP Costs and Caseloads Under S. 1511[a]

Dollars in millions

	CBO			HHS		
Program Benefits	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**
AFDC-UP[b]	$285	$185	$470	$282	$163	$445
Medicaid	340	210	550	410	235	645
Food Stamps[c]	−105	•	−105	•	•	•
Total	**$520**	**$395**	**$915**	**$692**	**$398**	**$1,090**
AFDC caseload[d]			105,000			133,000

[a]1993 is the third year of the 3-year estimates.

[b]CBO's estimate includes $69 million in administrative costs. HHS's estimate includes administrative costs, but does not separately identify such costs because they are believed to be inconsequential.

[c]Food Stamp benefit costs are totally federally funded. HHS's analyst told us there would be a small change in Food Stamp costs, but could not determine the amount. No estimates were made for administrative costs, which are shared by the federal and state governments.

[d]CBO's estimate includes only two-parent AFDC-UP families. HHS's estimate includes about 20,000 single-parenty families whom HHS's analyst believes will enroll in regular AFDC as a result of requiring AFDC-UP in all states.

Other differences are caused by the same factors that caused differences in the H.R. 1720 estimates (see pp. 11-12). However, CBO's and HHS's AFDC-UP cost estimates are lower for S. 1511 than for H.R. 1720 partly due to less generous federal cost sharing of benefit increases under S. 1511 than H.R. 1720. CBO's Food Stamp cost estimate is also affected by reduced AFDC-UP benefits.

Estimates for H.R. 1831 and S. 862

Mathematica Policy Research estimates AFDC-UP benefit costs would increase by $187 million ($147 million in federal and $40 million in state costs), and caseloads would increase by 52,000. Mathematica's estimates differ from CBO's and HHS's due to differences in the bills' provisions. Also, Mathematica did not include Medicaid and Food Stamp cost effects in its AFDC-UP estimate. Moreover, Mathematica's estimate reflected estimated costs for 1987—the first expected year of the proposed bills—while CBO's and HHS's estimates were for 1991, 1992, and 1993. If Mathematica's AFDC-UP estimate was projected to 1993 using CBO's inflation rate, it would increase from $187 million to about $237 million.

Individual State Estimates

Caseload and cost estimates developed by Maine, Montana, Oregon, South Carolina, and Virginia—when those states were deciding whether to adopt AFDC-UP—are of limited use for making nationwide AFDC-UP cost

projections under proposed welfare reform. They were designed to estimate costs for extending existing AFDC-UP to the individual states. Also, cost estimates for states that later adopted the program differed significantly from actual experience. Oregon and South Carolina substantially overestimated the costs, while Maine and Montana substantially underestimated them. Moreover, actual costs do not reflect the different provisions of proposed welfare reform legislation, and thus are of little use in predicting the budgetary effects of these proposals.

Maine's estimate was based on AFDC-UP experience in the 26 states, the District of Columbia, and Guam, which had AFDC-UP at the time its estimate was made. The average of the other states' AFDC-UP caseload as a percent of the total AFDC caseload was applied to Maine's AFDC caseload to estimate AFDC-UP caseload. The states' average cost difference between AFDC and AFDC-UP cases was applied to Maine's average AFDC cost per case to estimate its average AFDC-UP cost per case. The estimated average AFDC-UP cost per case was multiplied by the estimated AFDC-UP caseload to predict total costs. Using this approach, Maine's estimated full-year caseload was 1,200 families, and its estimated annual total federal and state costs were $4.1 million. For October 1985, 1 year after AFDC-UP was adopted, the actual caseload was about 1,000 families. Maine's AFDC-UP total costs for the period May 1985 through April 1986 were about $6.6 million. Maine officials explained that the 20-percent overestimate of caseload and 40-percent underestimate of costs related to the old data used in the estimate. For example, the payment standard increased about 40 percent (from $352 to $489 for a family of four) between the date of the estimate and the cost period we examined.

Montana estimated that 600 families would enroll if the state adopted AFDC-UP, based on its experience before terminating the program in 1981. This estimate was calculated by applying to the state's anticipated AFDC caseload the ratio of its AFDC-UP caseload to its total AFDC caseload in 1981. AFDC-UP benefit costs for the first fiscal year of implementation were estimated at $2.3 million. In March 1986, 1 year after AFDC-UP was adopted, the actual caseload was 800 families. Its actual costs for October 1985 through September 1986 were $3.4 million. Most of Montana's underestimate of costs related to its underestimate of the caseload.

Oregon reestablished an AFDC-UP program in 1986. Its new AFDC-UP caseload estimate of 3,700 families was based on its AFDC-UP caseload in 1979, when the program had been terminated. As of January 1987, 1 year after AFDC-UP was reestablished, its actual caseload was about 1,800 families. The state's AFDC program manager attributed the lower

caseload to (1) improved economic conditions and (2) the inclusion of a mandatory employment component for the AFDC-UP family's principal wage earner. Oregon estimated that AFDC-UP benefit costs would be about $20 million per year. During 1987, the first calendar year following the year of implementation, AFDC-UP benefit costs were $7.3 million. Much of Oregon's overestimated cost related to its overestimated caseload.

South Carolina's caseload estimate was based on the experience of 25 AFDC-UP states 3 years before its estimate was made. Data on the 25 states' AFDC-UP caseloads per 1,000 persons unemployed were applied to South Carolina's estimated 1985 unemployed population to estimate its caseload. The state's total benefit costs were estimated by multiplying the estimated AFDC-UP caseload[3] by the state's average cost per AFDC recipient. Using this approach, a caseload of about 3,600 families was estimated for the state, with annual benefit costs of about $8.1 million. Its actual caseload in October 1986, 1 year after program implementation, was about 500 families, and its costs for May 1986 through April 1987 were about $1.4 million. South Carolina's Social Services Commissioner told us that low AFDC-UP participation is believed to have been caused by such factors as lower-than-expected unemployment and the availability of unemployment compensation that is greater than the state's AFDC-UP benefits. (Unemployment compensation reduces AFDC-UP benefits dollar for dollar.)

Virginia did not adopt AFDC-UP, so there is no actual experience for comparison with the state's estimate. The state's estimate was based on a regression analysis,[4] which considered such factors as the male labor force participation rate, population under 18 years of age, male unemployment rate, benefit levels, and out-of-wedlock births. Using such data from 25 states that operated AFDC-UP in 1984 and 1985, Virginia's analyst compared estimates for those 25 states, developed by their regression analysis, with the 25 states' actual caseloads to test the estimating methodology's accuracy. Projections were reasonably accurate for 20 states, but substantially lower than 5 states' actual caseloads. Measurable variables explaining the discrepancies could not be identified by the analyst. The unexplained estimating differences for the five states, we believe, raise questions about the reliability of Virginia's methodology

[3]South Carolina added the average difference in the 25 states' AFDC and AFDC-UP family size (1.3 persons) to South Carolina's average AFDC family size (2.65 persons) to estimate its average AFDC-UP family size.

[4]Regression analysis provides a statistical prediction of the size of response of one dependent variable to changes in one or more independent variables.

for making nationwide AFDC-UP cost and caseload estimates. We have no basis for predicting whether the states that currently have no AFDC-UP program would be like the 20 states for which Virginia's methodology produced reasonably accurate estimates or like the other 5 states.

Research Results on AFDC-UP Effects on Families

We identified limited research data or other information useful for predicting AFDC-UP's effects on family stability. The findings of the income maintenance experiments on family stability have been interpreted differently, and we do not believe they can be reliably used to predict AFDC-UP's effects. Also, few insights are available from states that have recently initiated or terminated the program or from other research we reviewed.

Income Maintenance Experiments

Four income maintenance experiments were conducted between 1968 and 1978, primarily to measure the effects of guaranteed income on black, white, and Hispanic recipients' work efforts, under plans calling for participation for 3 years, 5 years, or longer periods. Participants received one of four types of treatment: guaranteed income only; counseling and training only; a combination of guaranteed income, counseling, and training; and no special treatment (control group).

Results from the largest experiment—the Seattle-Denver experiment—suggested that a guaranteed income might affect family stability. Analysis of the results of that experiment[5] indicated that marital dissolution rates for blacks and whites in experimental groups—those receiving a guaranteed income (and, in some cases, training and counseling also)—were 40 to 60 percent higher than in the control groups—those not receiving experimental treatment. (Results indicated no significant marital stability effects for Hispanic participants.) Also, differences in marital dissolution rates generally were higher when the guaranteed income amounts, which ranged from $3,800 to $5,600,[6] were lower. For experimental participants receiving $3,800—an amount most closely approximating AFDC benefit levels at the time—differences in dissolutions in the experimental groups relative to the control groups were 60 percent for blacks and 82 percent for whites.

[5]The analysis stressed the experience of 5-year participants for the first 36 months of the experiment. When data on 3-year and 5-year participants are pooled, the differences in dissolution rates are much lower.

[6]Figures cited are in 1971 dollars. They would be $10,600 and $15,700, respectively, in 1987 dollars.

Noting that benefits under the lowest guarantee were about the same as combined AFDC-UP and Food Stamp benefits that were available to members of the control group,[7] researchers reported that marital dissolution differences between the groups may be caused by nonmonetary factors. For example, members of the control group may have had disincentives to separate in the form of the cumbersome and time-consuming efforts, if needed, to apply for welfare assistance along with the stigma of going on welfare. Such disincentives would not have existed for experimental group members who, should they have chosen to separate, were allowed to continue receiving the guaranteed income as separate units.

The researchers cautioned against using the results of this experiment to predict the effects of other guaranteed income proposals, without additional analysis of the data. They noted, among other things, that (1) the sample may not be nationally representative, (2) the impact of the experiment's limited duration compared to a permanent national program is ambiguous, and (3) the social contexts of the experiment and national programs are likely to differ.

For such reasons, we believe the results of the Seattle-Denver and other income maintenance experiments cannot be used to reliably predict the family stability effects of requiring AFDC-UP for all states envisioned by proposed welfare reform. HHS pointed out in its overview[8] of the final Seattle-Denver experiment that the experiment results should be interpreted as behavioral differences between the experimental groups and control groups partly composed of members potentially eligible for AFDC-UP and other welfare programs. As a result, the effects presuppose that the guaranteed income arrangement would replace the then-existing programs. The AFDC-UP programs envisioned by the reform proposals, however, are significantly different than the experiments' guaranteed income program. For example, current legislative proposals place greater emphasis than the experiment did on child support enforcement, and training and employment services. Moreover, some of the difference in marital dissolution rates results from separations of childless couples (about 10 percent of the experimental group) who would not be eligible for AFDC-UP benefits.

[7]Experiment group recipients would be eligible for AFDC but could not receive both AFDC and guaranteed income. At the beginning of the experiment, about one-third of the control group was receiving AFDC.

[8]HHS, Overview of the Seattle-Denver Income Maintenance Experiment Final Report, May 1983.

Also, as we reported[9] in 1981, after reviewing interim results of the experiments, the family stability results were questionable because they were not the experiments' central design focus and were only uncovered to any significant extent in the Seattle-Denver experiment. Other researchers also have questioned the relevance of the Seattle-Denver results for predicting AFDC-UP's family stability effects.

A 1988 reanalysis of the Seattle-Denver data by Cain and Wissoker[10] cited several experiment features that raise questions about the reliability of the results for predicting the family separation effects of cash assistance. Cain and Wissoker cited such features as (1) the addition and mixture of a counseling and training program, along with cash assistance; (2) inclusion of married couples without children; (3) inadequate adjustment for expected differences between experimental and control group participants' marital separations occurring after they left the experiment; (4) short duration of the experimental analysis (36 months) with emphasis on 5-year participants (our 1981 report shows that 75 percent of the families participated in the experiment for 3 years, 21 percent for 5 years, and 4 percent for longer periods[11]), and (5) nonadjustment for marital reconciliations. Cain and Wissoker distinguished between couples receiving guaranteed income only and those also receiving counseling and training; removed childless couples from the analysis (about 10 percent of the couples originally enrolled in the experiment); readjusted data on marital dissolutions after participants had left the experiment using different assumptions; included and separately reported results for couples from the 3-, 5-, and 20-year periods; and adjusted results for marital reconciliations. They observed that with these adjustments to the sample, the guaranteed income by itself had no statistically significant destabilizing effect on the marriages of married couples with children.

Based on information developed by Cain and Wissoker, Schram and Wiseman reported[12] that the Seattle-Denver experiment indicated a

[9]Income Maintenance Experiments: Need to Summarize Results and Communicate the Lessons Learned (HRD-81-46, Apr. 17, 1981).

[10]Glen Cain and Douglas Wissoker, Reanalysis of Marital Stability in the Seattle-Denver Income Maintenance Experiment, Institute for Research on Poverty, DP 857-88 (Madison, WI: University of Wisconsin, Jan. 1988).

[11]Although the experiment was designed to track some participants for 20 years, funding constraints caused payments to stop in 1977 for Seattle participants and 1979 for Denver participants.

[12]Sanford Schram and Michael Wiseman, Should Families Be Protected From AFDC-UP? Institute for Research on Poverty, DP 860-88 (Madison, WI: University of Wisconsin, Apr. 1988).

higher rate of family separations for black two-parent families receiving a combination of cash assistance and training[13] than for similar families not receiving such support. (Schram and Wiseman focused on couples receiving both guaranteed income and training because current welfare proposals include training provisions.) Schram and Wiseman concluded, however, that current welfare reform legislation places greater emphasis on child support and employment than the experiments did, and thus it is doubtful whether the experiments are relevant for judging the family stability effects of the proposals.

Schram and Wiseman noted that earlier research[14] indicated that the experiments could not enforce child support, while the new legislative proposals expand child support collection efforts, including authorizing employers to withhold child support obligations from wages as soon as child support orders are issued. To the extent these proposed child support provisions would be effective, they noted that separation would no longer shelter the income of the absent parent, thereby discouraging some parents from abandoning their families so their children could qualify for AFDC while the absent parent earns income. Additionally, Schram and Wiseman noted that employment and training are required for AFDC recipients under the current welfare reform proposals, so abandonment of the family by an AFDC-UP parent generally makes the other a mandatory work program participant. The Seattle-Denver experiment did not include these features, which, according to Schram and Wiseman, would affect fathers' decisions whether to stay with the family or separate.

In a 1986 report,[15] Tuma—one of the original researchers for the Seattle-Denver experiment—agreed that Cain's reanalysis showed that differences in separation rates between experimental groups and control groups were not statistically significant. Tuma noted, however, that when data from the New Jersey income maintenance experiment (one of the other federally funded experiments) are pooled with data from the Seattle-Denver experiment, separation rate differences are statistically

[13]The separation rate differences ranged from 64 to 88 percent, depending on the time periods used to measure dissolutions that occurred in the control group families after they dropped out of the experiment. Separation rate differences for whites and Hispanics were not statistically significant.

[14]John H. Bishop, "Jobs, Cash Transfers, and Marital Stability: A Review and Syntheses of the Evidence," Journal of Human Resources, 15(3), Fall 1980, 301-34.

[15]Nancy Brandon Tuma, Comments on Glen Cain's "Negative Income Tax Experiments and the Issues of Marital Stability and Family Composition" (Stanford University, Oct. 1986).

significant.[16] (The Seattle-Denver final report indicates separation rates for the pooled results were lower than for the Seattle-Denver experiment alone.) Moreover, Tuma points out that Cain's analysis does not deal with nonmonetary reasons for higher separation rates among experiment participants. (See p. 17.) In subsequent discussions with us, Tuma said that the income maintenance experiments' results are not relevant in assessing the potential effects of current welfare reform proposals on family stability. Tuma pointed out the experiments covered a limited number of sites and may not be nationally representative, and that the effects of nonmonetary factors would be considerably different under nationwide AFDC-UP than under the experiments.

States' Experiences

States' experiences provide few additional insights on AFDC-UP's effects on family stability. Little information was available on separation rates for AFDC-UP participants. Moreover, information from two states' follow-up interviews with former AFDC-UP participants after program discontinuation showed mixed results regarding the effect of program termination.

We found no state-level research or other information on the effects on families of initiating AFDC-UP. However, Colorado, Iowa, Missouri, Oregon, Utah, and Washington—six of the seven states that terminated AFDC-UP for some period between 1980 and 1988—tracked the marital status of former AFDC-UP participants. The states' data indicated that between 12 and 28 percent of former AFDC-UP families entered the AFDC rolls as single-parent families after the program was discontinued.

The states' data were not sufficient, however, to determine whether the separation rates were caused by the discontinuation of AFDC-UP. Only Utah provided comparative data on separation rates while the program was in effect and after termination. Utah's data suggested that the separation rate after program termination (12.8 percent of former AFDC-UP participants) was higher than the rate while the program was in effect (7.4 percent of AFDC-UP participants). This study involved a small sample, and little effort was made to explore alternative explanations. The remaining five states provided no data comparing separation rates before and after AFDC-UP termination.

[16]To our knowledge, the pooled results have not been subjected to the same critical analysis as have the results of the Seattle-Denver experiment.

Through interviews with 56 former AFDC-UP participants, Utah found that 13 families had separated after the program was terminated. Only one respondent, however, said program discontinuation contributed to the marriage dissolution. None indicated AFDC-UP discontinuation was a major factor for their separation. Washington officials also conducted interviews with 531 former AFDC-UP participants. They found that 80 families had marital separations after the program was terminated, 34 of whom said ending the program contributed to the separations.

Additionally, Washington researchers reported[17] that the proportion of families moving from AFDC-UP to AFDC was 2.8 times as great after AFDC-UP ended than while it was operating. The former AFDC-UP families that enrolled in AFDC reportedly qualified due to marital separation (65 percent), incapacitation (19 percent), or for unknown reasons (16 percent). Available data on families that changed from AFDC-UP to AFDC when AFDC-UP was operating did not indicate what proportion of families that changed qualified for AFDC due to marital separation. The proportion of former AFDC-UP families that enrolled in AFDC on the basis of marital separations after program termination was higher than the proportion of AFDC-UP families that enrolled in AFDC for all reasons while the program was operating. However, because data were not available on the separation rates for all AFDC-UP families—including those who separated but did not move to AFDC—or on the proportion of families who moved to AFDC on the basis of marital separation while the program was operating, we could not determine whether the separation rates when the program was in effect were higher or lower than after the program terminated.

Other Research

Other research we identified also provided few insights for predicting the effects of requiring AFDC-UP for all states. In their 1988 report, Schram and Wiseman addressed marital dissolution rates in California's Alameda County AFDC-UP program, which has been in operation since 1964. They reported that Alameda County's rate in 1975 was 13 percent. They did not report whether this rate was unusually high or low, or whether AFDC-UP had a positive or negative effect on family stability. Moreover, we were unable to identify any comparable nationwide statistics on separation rates to assess whether the marital separation rates in Alameda County were high or low—as an indication of AFDC-UP's effects on the family.

[17]Nelson, Fiedler, and Highberger, Follow-Up Study of Assistance Cases Closed as a Result of AFDC-E Program Termination: Final Report, Jan. 1982.

Schram and Wiseman also developed information on the relationship in 1980 between the number of children on regular AFDC in states with AFDC-UP programs compared to the number of AFDC children in states without AFDC-UP. The analysis showed that there were, on average, about 2 percent more children on AFDC in states with AFDC-UP programs. The researchers could not explain the higher number of AFDC children in states with AFDC-UP. They asserted, however, that if this relationship were valid, and AFDC-UP had been available in all states in 1980, about 500,000 more children would have been receiving AFDC in all states than actually received such assistance that year. They concluded the issue requires further research.

Data Bases Reviewed in GAO's Literature Search

To identify pertinent research on the impact of AFDC-UP on families, we searched the following general data bases.

ABI/INFORM (Abstracts of Business Information)

American Statistics Index

Congressional Information Service

Education Resources Information Center

GAO Documents

National Newspaper Index

National Technical Information Service

Social Science Citation Index

Sociological Abstracts

Description of Selected Provisions of Several Welfare Reform Proposals

In 1987, several bills introduced in the Congress to reform the nation's welfare system included provisions requiring AFDC-UP in all states. In this report, we provide information on cost and caseload estimates of the effects of requiring AFDC-UP by four bills—H.R. 1720, H.R. 1831, S. 862, and S. 1511. Each of these bills contains provisions that would change the way AFDC-UP operates. Also, the provisions are different and, therefore, contribute to differences in cost and caseload estimates. Following is a brief description of some of those provisions.

H.R. 1720

This bill, the Family Reform Act of 1987, was approved by the House in December 1987. It would

- require states to immediately withhold child support obligations from an absent parent's wages (unless good cause not to withhold has been demonstrated or both parties agree in writing to alternative arrangements), require states to establish and update guidelines for setting child support awards, require states to update child support orders at least once every 2 years, require states to establish automated systems for tracking and monitoring absent parents, and reduce federal sharing funds for states not conforming with the 1984 child support enforcement amendments;
- require states to periodically reevaluate AFDC need and payment standards and encourage states to increase benefit levels by augmenting federal sharing rates on benefit level increases and prohibiting benefit level reductions;
- require states to establish an education, training, and work program in which participation is required by able-bodied persons whose youngest child is at least age 3 (at state option, age 1) with certain exceptions, and if the program is available where the recipient resides; and generally require federal cost sharing for this program at a rate higher than under current law; and
- require states to either directly provide day care for dependent children receiving payments or reimburse caretakers for the cost of such care to the extent provided so a recipient can participate in work, education, or training; require states to provide at least 12 months of day care for families who lose eligibility due to earnings, with certain limitations; and establish higher federal cost limits than corresponding income disregards under current law.

S. 1511

This bill, the Family Security Act of 1987, was introduced in the Senate in July 1987, and was approved by the Finance Committee in April 1988. As introduced, it would

- require states to immediately withhold child support obligations from an absent parent's wages, require states to periodically review guidelines for setting child support awards, require states to update award amounts, require states to establish standards for paternity determinations, require states to develop systems to track and monitor the location of absent parents, and increase federal sharing rates for paternity laboratory costs;
- require states to periodically evaluate AFDC need and payment standards;
- require states to establish job and training programs in which adult recipients must participate, if the program is available where the recipient resides, with certain exceptions;
- require states to ensure the availability of child care to the extent necessary for an adult recipient to work by (1) directly providing the care, (2) contracting with others, (3) providing cash vouchers to the caretaker relative, (4) reimbursing the caretaker relative, or (5) adopting other appropriate arrangements; and
- require states to extend Medicaid coverage for 4 months to families who become ineligible for AFDC-UP because of increased income or hours of work and to give those families who use the full 4 months the option to extend Medicaid coverage for an additional 5 months.

H.R. 1831 and S. 862

These identical bills, the Partnership Act of 1987, were introduced in the House and Senate, respectively, in March 1987. They would

- require states to establish standards for child support awards that meet federal guidelines, and provide for and limit incentive payments to states with specified efficiency ratios for collections of child support obligations;
- require states to adopt AFDC benefit levels which, when combined with food stamp benefits, will provide assistance for fiscal year 1988 at 50 percent of the nonfarm official poverty line established by the Office of Management and Budget (this threshold would increase by 2 percent each subsequent year, to a maximum of 90 percent);
- require recipients to register with the state's employment agency for counseling, assessment, and assignment to employment, training and education (with exceptions); and

- establish a child care program for children who are (or are at risk of being) abused or neglected, in families receiving child protective services, or in certain low-income families (where the parent or parents are certain adolescents, working, enrolled in education or training programs, or seeking employment).

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